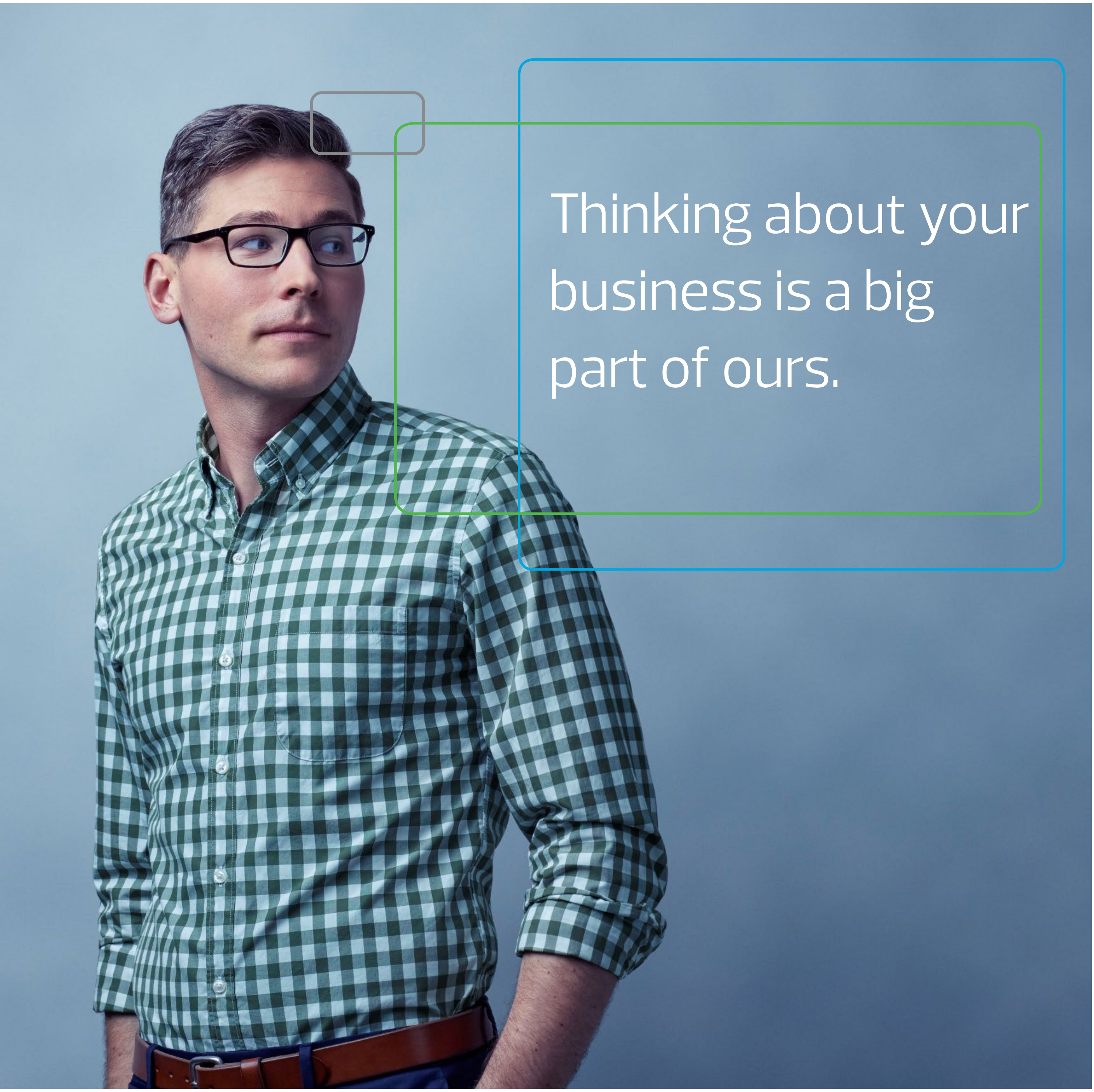


BUDGET 2024

Highlights

THE POWER OF BEING UNDERSTOOD
ASSURANCE | TAX | CONSULTING

BUDGET 2024

Executive Summary

Budget 2024 was announced by the Irish Government on October 10th. The Budget was a continuation from 2023 in seeking to address cost of living increases, but also sets out important policy initiatives to invest in public services and new State investment initiatives to deploy future excess exchequer receipts.

The €14 billion Budget package includes a core package of €5.3 billion, non-core funding of €4.8 billion, permanent tax measures of €1.2 billion, and "once-off" spending programmes worth €2.7 billion, including cost of living supports, energy credits and temporary tax measures.

This is a very significant spending Budget in an Irish context. It is on the back of very strong tax receipts to date in 2023, albeit there has been a downward revision in tax receipts for 2023 after corporation tax receipts fell sharply in the summer. The Governments revised estimate the 'windfall' corporation tax receipts are €10 - €12 billion.

The key measures of the proposed Budget are:

- €1.1billion allocation for income tax reductions. This includes increases in the tax bands and credits, and a reduction in the USC rate. However, there is an increase in the rate of PRSI.
- A new mortgage interest relief, increase in the renters' tax credit, and a continuation of the reduced VAT rate on gas and electricity to 31 October 2024.
- €900 million of investment in schools, hospital infrastructure and for better public and road transport in 2024
- Two new sovereign wealth funds announce. Firstly, the 'Future Ireland Fund' will help to protect living standards and public services. Secondly, the 'Infrastructure, Climate and Nature Fund' will allow for sustained levels of investment in infrastructure in the event of economic downturns and to support climate and nature related projects.
- €1.35 billion has been allocated for the development, protection and renewal of the roads network.
- An increase in the R&D tax credit, a new CGT relief for angel investors, and
- 12.5% corporate tax rate remains unchanged

In his concluding comments Minister Michael McGrath set out:

"As we stand here today, I believe there is so much in our country we can be proud of.

Full employment, a growing economy, budget surpluses, a national debt that is falling, a population that is rising, and now a plan to secure the future.

We can never take any of this for granted. And we must always strive to do better.

Today's Budget provides help to households and businesses, it reaffirms our commitment to good quality public services and to investment in modern infrastructure, it seeks to unlock the further potential in the enterprise sector, it underpins our determination to tackle climate change and the Budget seeks to make the future safer for us all."

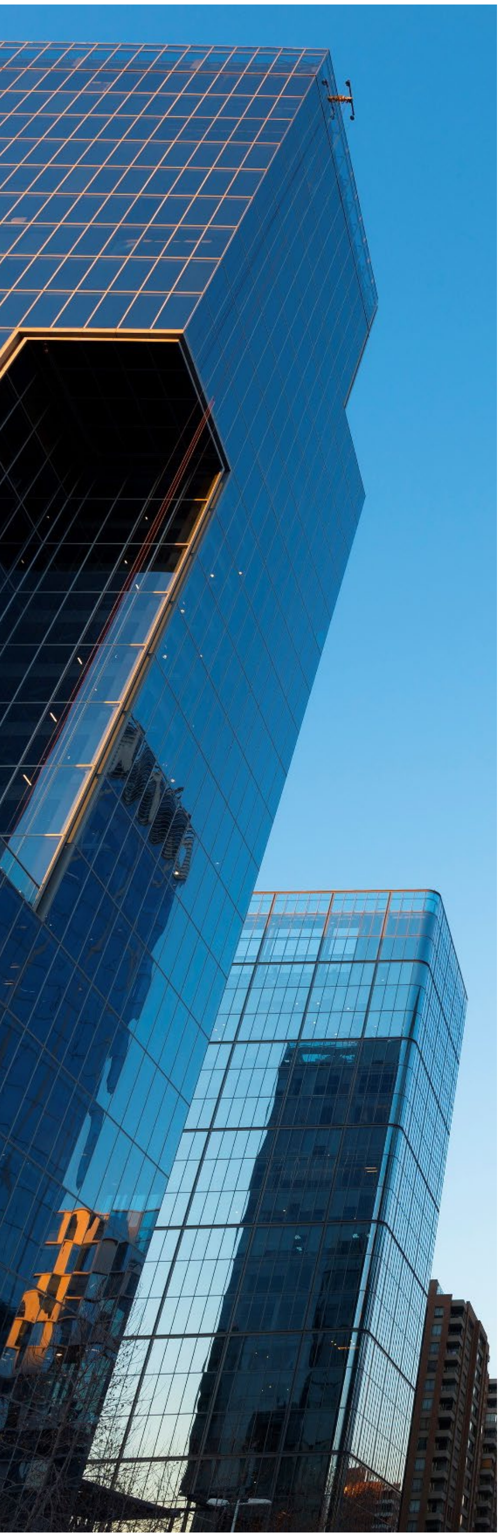
However, the Irish Fiscal Advisory Council ('IFAC') has urged caution. In echoing their pre-Budget warning, IFAC have questioning the rationale for the proposed €2.7 billion of temporary measures to offset cost of living increases in the context of a decrease in headline inflation and positive economic growth, which abandons the government's national spending rule to limit annual increases to 5 per cent. Notwithstanding this warning, we do not expect any significant changes to the announced policies as these measures are transposed to law in the upcoming Finance Bill.

Overall, Budget 2024 will be welcomed by business and personal taxpayers. Ireland's fiscal outlook is broadly positive with a surplus of €8.4 billion being projected for 2024 and a reduction in the rate of inflation from 5.25% for 2023 down to 2.9% for 2024.

View the Government's Budget publications here

BUDGET 2024

Highlights



€900m
investment
in schools, hospital infrastructure and public and road transport

2 new funds
'Future Ireland Fund' & 'Infrastructure, Climate and Nature Fund'

12.5%
Corporate tax rate
remains unchanged

€1.1b
allocation
for income tax reductions

€1.35b
allocation
for the development, protection and renewal of the roads network

New
mortgage interest relief, increase in the renters' tax credit, and a continuation of the reduced VAT rate on gas and electricity to 31 October 2024

BUDGET 2024

Business Tax

Overview

As anticipated, following changes to the international tax landscape arising from BEPS / ATAD, and to ensure Ireland meets its obligations to transpose certain rules into legislation by 1 January 2024, Budget 2024, combined with Finance Bill 2023 (which will include the detailed legislation), will introduce some of the most significant changes to the Irish corporate taxation system that we have seen in the recent past.

We have set out below a high-level overview of each of the new Corporate Tax measures introduced as part of Budget 2024, and what it will mean for our clients as they will need to come to terms with the new rules, which will place a significant administrative burden on taxpayers going forward.

Pillar Two Legislation

Following the unanimous agreement by the Council of the EU on 15 December 2022 to adopt the Pillar Two Directive, EU Member States have until 31 December 2023 to transpose the Directive into national legislation with the rules to be applicable for fiscal years commencing on or after 31 December 2023. Accordingly, Budget 2024 has introduced Pillar Two legislation into Irish law effective for accounting periods commencing on, or after, 1 January 2024.

As the rules present a significant change to the Irish Corporate tax landscape, the Irish Department of Finance issued two feedback statements to engage with stakeholders on the new rules.

The detailed Pillar Two legislation will be introduced as part of Finance Bill 2023, (expected release date mid-November). We have set out as follows some of the key aspects of the expected legislation:

- The Pillar Two rules should apply on a group basis, rather than an entity basis, and will apply to multinational groups with consolidated revenues of €750m+ in at least two of the previous four years. The rules require jurisdictions to introduce a minimum corporate tax rate of 15%.
- Ireland will continue to retain the 12.5% statutory corporate tax rate for trading companies above and below the €750m threshold for Pillar 2 from 2024.
- A qualified domestic minimum top up tax will be introduced to bring the effective rate of Irish corporate tax to 15% for those entities that are within the scope of the new Pillar Two rules. This effectively means that any top-up tax arising under the new rules for Irish constituent entities should be paid in Ireland and not collected by another jurisdiction.
- Budget 2024 has further introduced an income inclusion rule (“IIR”), which will require an Irish entity that is the Ultimate Parent Entity (“UPE”) of a MNC group, to apply a top up tax in Ireland for any low taxed income of a constituent entity.
- Ireland will introduce a number of “Transitional” Safe Harbours which offers MNC groups a temporary reprieve from operating the Pillar Two rules in a “low risk” jurisdiction where at least one of the safe harbour tests are met.

RSM Ireland Insight

The introduction of the Pillar Two rules will create a significant additional administrative burden for MNC groups that breach the €750m threshold. The rules will be implemented with effect from 1 January 2024, with the first filings to be made in 2026, (18 months after the end of the first financial period).

These complex new rules present additional layers of complexity for business to tackle and will need to be considered for all future activities to be undertaken by international groups within scope of the rules.

BUDGET 2024

Business Tax

Introduction of a Dividend / Branch Participation Exemption – Consultation Paper

Irelands tax regime currently operates as a Worldwide tax regime, and provides that all profits, both domestic and foreign source, of an Irish resident entity will be within scope of Irish taxation, with a double tax relief available for foreign tax suffered on foreign source profits, up to the amount of domestic tax payable on the same income.

Irelands current tax regime is an outlier in the EU, being the only EU country and one of a very small number of OECD countries that does not operate some form of participation exemption for foreign dividends, instead using a “tax and credit” system. A similar “tax and credit” system is also in place for Branch profits, which are subject to Irish tax in the first instance with a credit available for any foreign tax suffered on the same profits.

The Irish Department of Finance has commenced a public consultation in relation to the potential introduction of a "participation exemption” for foreign sourced dividends, with the anticipation the legislation would be introduced as part of Finance Bill 2024 and will take effect from 2025. A foreign branch participation exemption is subject to ongoing consideration, and no date has been set for the implementation of an exemption for Branch profits.

RSM Ireland Insight

A participation exemption for dividend income is something that has been consistently sought by relevant stakeholders over the past number of years. Irelands “tax and credit” system provides a significant additional complexity, and as Ireland has a competitive corporation tax rate (12.5%), in addition to a comprehensive double tax treaty network, there is typically zero or negligible incremental tax payable in Ireland on group dividends received.

In light of the significant corporate tax legislative changes to be introduced as part of Budget 2024, this is a welcome change to the Irish tax regime and will add to Ireland’s competitiveness as a Holding Company jurisdiction.

Research & Development Tax Credit

Currently companies carrying out R&D activities in Ireland can avail of a 25% R&D tax credit on qualifying expenditure.

Finance Act 2022 brought about a number of significant changes to the R&D regime which were implemented over the past financial year. A key focus of the reforms was to align the R&D provisions with international definitions of refundable tax credits. The pivotal changes were made to the refundability provisions as well as the payment thresholds (i.e. companies could now make a claim for €25,000 or 50% of their overall qualifying R&D spend whichever is the higher in year 1 of their claim). Companies were also given the option to offset their R&D claims against other tax liabilities.

The Minister for Finance has confirmed further updates to the R&D regime in Ireland as part of Budget 2024. The R&D tax credit will be increased from 25% to 30% in respect of 2024 qualifying expenditure, for which claims will be filed in 2025. Further to this, the current year 1 payment threshold of €25,000 has been doubled to €50,000 to further encourage the SME sector to avail of the R&D credit where they are entitled to do so.

In our view, the introduction of the 30% R&D tax credit rate will help to ensure that Ireland remains competitive from an FDI perspective. For SME businesses, we believe the updates to the first payment threshold will be a welcome incentivisation to avail of the R&D regime and also an important cashflow boost in economically challenging times.

Previously the nuances of the R&D tax credit made it burdensome for companies to claim. Given the quicker refundability provisions we believe the regime has been given a welcome incentivisation boost.

BUDGET 2024

Personal & Employment Taxes

Tax Credits and Standard rate cut-off

All personal taxpayers will benefit from the increase in the personal tax credits, employee tax credits, earned income tax credits for 2024. Also, the increase in the standard rate cut-off point, up to which the lower rate of income tax of 20% applies, will benefit all taxpayers. These changes result in a reduction in income tax of €600 for a single person. Home carer credit increased €100 and the incapacity child credit by €200.

There are also some changes in the USC bands also which will reduce USC slightly for all taxpayer. The income taxed at the lower USC rate of 2% has increased and the 4.5% has reduced to 4%. For taxpayers with income of up to €70,044, the 4% rate will be their top USC rate. The 8% rate will continue for higher earners and indeed the 11% for the self-employed on incomes over €100,000.

Rent Tax Credit

Tax relief for taxpayers renting private accommodation was introduced in recent years and the value of the Rent Tax Credit has increased from €500 per year to €750 per year for 2024. The Rent Tax Credit is also available to parent paying for student accommodation and has been extended to include ‘Rent a Room’ or ‘digs’ accommodation, backdated to allow for claims to be made for the 2022 and 2023 tax years.

Mortgage Interest Relief

A one-year Mortgage Interest Tax Relief is being introduced for homeowners with an outstanding mortgage balance on their main dwelling house of between €80,000 and €500,000 as of 31 December 2022. Relief will be available in respect of the increased interest paid on the mortgage in the calendar year 2023 as compared with the amount paid in 2022, at the standard rate of 20% income tax.

Benefit in Kind on company cars

In relation to the BIK regime for company cars, a temporary reduction in the Original Market Value of all company cars for the purposes of calculating benefit in kind is being extending for a further year. In addition to encourage the use of electric vehicles for company car purposes, the existing €35,000 reduction in the Original Market Value is being maintained for 2024 and 2025, meaning that an employee with an electric company vehicle will have an overall BIK Original Market Value relief of €45,000 in 2024.

PRSI

An increase of 0.1% to all PRSI contribution rates with effect from 1 October 2024. It is assumed that this increase will apply to all classes of PRSI and not solely employee/employer Class A contribution. Further information will be provided when the social welfare legislation is published.

KEEP share scheme

KEEP shares schemes are available for SME companies to provide shares in employer companies to employees. The scheme will be extended to 2025 subject to EU state aid approval and level of shares which can be issued is being increased.

Share-based remuneration consultation

In his speech, the minister noted he importance of share based remuneration for employers to incentivise and retain key employees. He announced that a public consultation will be launched shortly with stakeholders invited to submit their views. The consultation is aimed at modernising share-based remuneration.

BUDGET 2024

Business owners & Investors

Capital Gains Tax Retirement Relief

A capped level of CGT Retirement Relief applied from age 66. The reduced relief will now apply from age 70 with effect from 1 January 2025. Reduced relief on disposals to children will also be extended to aged 70 and a limit of €10m will be introduced on the relief available for disposals.

Capital Gains Tax Relief for Angel Investors

A new targeted capital gains tax relief for angel investment in innovative start-ups has been announced. This aims to assist SMEs in attracting investment and make Ireland a more attractive location for angel investment.

It will allow angel investors to benefit from a reduced rate of CGT when they dispose of a qualifying investment, for gains up to twice the value of their investment.

Qualifying investors can benefit from a reduced rate of capital gains tax for gains arising from the disposal of a qualifying investment in a qualifying company, up to a maximum gain of twice their initial investment.

The relief will be available to an individual who invests in an innovative start-up small and medium enterprise (SME) for a period of at least 3 years.

The investment by the individual must be in the form of fully paid-up newly issued shares costing at least €10,000 and constituting between 5% and 49% of the ordinary issued share capital of the company.

Qualifying investors may avail of an effective reduced rate of CGT of 16%, or 18% if through a partnership, on a gain up to twice the value of their initial investment. There is a lifetime limit of €3 million on gains to which the reduced rate of CGT will apply.

Further detail will be set out in the Finance Bill.

Otherwise, the rate of capital gains tax remains unchanged at 33%.

Revised Entrepreneur Relief

A review has taken place of the Revised Entrepreneur Relief with a view to further improving the incentives for founders and entrepreneurs in the innovative start-up phase, and to ensure it is contributing to employment creation. We expect changes to this relief to be announced in course.

Landlord tax relief

A temporary tax relief will apply to primarily benefit small landlords. Subject to certain conditions being met, rental income of €3,000 for the year 2024, €4,000 for 2025 and €5,000 for the years 2026 and 2027, will be disregarded at the standard rate. A condition of this measure is that the properties held by the landlord availing of the relief must remain in the rental market for four years, otherwise the full amount of the relief will be clawed back.

Employment investment incentive (EII)

EII provides income tax relief for equity investments in small and medium enterprises subject to qualifying conditions. The existing rules apply different investment periods of up to 7 years and lifetime limits depending on the date of investment. The minister announced that the EII scheme is being enhanced by bringing the minimum investment period to four years for all investments and increasing the amount on which an investor can claim relief on such investments to €500,000. The changes will be effective from 1 January 2024. The Minister announced a review of the EII scheme in early 2024 focusing on further simplification of the scheme.

Vacant Home Tax

Vacant Homes Tax, introduced last year is being increased to 5 times the property's existing basic Local Property Tax rate. The increase will take effect from the next chargeable period, commencing this November.

Zoned Land Tax

Extension of the eligibility for this tax for an additional year to allow for the 2024 review and to allow more people to engage with the process.

BUDGET 2024

VAT

VAT Registration Thresholds

With effect from 1 January 2024, the VAT registration thresholds will increase as follows:

VAT Registration Thresholds	2024	2023
Goods	€80,000	€75,000
Services	€40,000	€37,500

The above changes, while modest, will provide more latitude to small businesses whose turnover is close to the existing thresholds, and is broadly in line with forthcoming EU VAT registration thresholds.

VAT Rate Changes

The Budget provides for the following VAT rate changes -

- There will be an extension of the 9% reduced VAT rate on supplies of gas and electricity which was due to expire on 31 October 2023. The 9% rate will continue for another 12 months to 31 October 2024.
- The VAT rate on audiobooks and ebooks will be reduced to bring the VAT rate in line with traditional paper books. From 1 January 2024, the zero rate VAT will apply to audiobooks and ebooks. Both audiobooks and ebooks were previously subject to VAT at the 9% rate.
- The VAT rate on the supply and installation of solar panels in schools will also be reduced to the zero rate of VAT with effect from 1 January 2024. A similar reduction came into effect for similar supplies for private dwellings from 1 May 2023. Previously the reduced rate of 13.5% of VAT applied to such supplies where the solar panels did not exceed two-thirds of the total consideration of the supply.

VAT Charity Compensation Scheme

The Minister has indicated his intention to increase the amount of funds available under the Charity VAT Compensation Scheme from €5m to €10m. This measure will in effect mean that Charities will get back more of the VAT that they pay. Under the Charity VAT Compensation Scheme, Charities are entitled to claim a refund of a proportion of their eligible VAT costs, based on their level of non-public funding.

Public Consultation

Through his Budget speech the Minister indicated that the Revenue Commissioners will shortly launch a Public Consultation on how Revenue can use digital advances to modernise Ireland's VAT Invoicing and Reporting System. This potential modernisation will see a significant change to the VAT system and will bring Ireland in line with other EU countries who have, to date, introduced VAT Realtime Reporting.

Farmers Flat Rate Compensation

With effect from 1 January 2024, there will be a reduction in the flat rate compensation for farmers from 5% to 4.8%.

APPENDICES – BUDGET 2024 TABLES

Tax Rates	2024	2023
Standard tax rate	20%	20%
Higher tax rate	40%	40%

Standard Rate Bands	2024	2023
Single / widowed	€42,000	€40,000
Married couple / civil partnership one income	€51,000	€49,000
Married couple / civil partnership two incomes	€84,000	€73,600
One parent family	€46,000	€40,800

Tax credits	2024	2023
Single person	€1,875	€1,775
Married couple / civil partnership	€3,750	€3,550
Single person child carer	€1,750	€1,650
Incapacitated child tax credit	€3,500	€3,300
PAYE	€1,875	€1,775
Earned income	€1,875	€1,775
Home carer	€1,800	€1,700
Rent tax credit	€750	€500

PRSI Contributions and Universal Social Charge (USC)

2024

Employer PRSI	%	Income
	11.05%*	No Income limit
	8.8%*	If income is €410 p/w or less
Employee PRSI (Class A1)		
PRSI	4.0%*	No limit
Universal Social Charge **	First €12,012	0.5%
	Next €13,748	2.0%
	Next €44,284	4.0%
	Balance over €70,044	8.0%
	Relevant Income > €100,000	11.0%

- To be increased to by 0.1% from 1 October 2024.

** Income of €13,000 or less are exempt from USC

2023

Employer PRSI	%	Income
	11.05%	No Income limit
	8.8%	If income is €441 p/w or less
Employee PRSI (Class A1)		
PRSI	4.0%	No limit
Universal Social Charge **	First €12,012	0.5%
	Next €10,908	2.0%
	Next €47,124	4.5%
	Balance over €70,044	8.0%
	Relevant Income > €100,000	11.0%

** Income of €13,000 or less are exempt from USC

Capital Acquisition Tax	2024	2023
Rate	33%	33%
Thresholds		
Group A	€335,000	335,000
Group B	€32,500	€32,500
Group C	€16,250	€16,250

APPENDICES – BUDGET 2024 TABLES

Corporation Tax	2024	2023
Standard rate *	12.5%/15.0%	12.5%
Non-trading income rate	25.0%	25.0%
Knowledge Development Box **	6.25%	6.25%
Land (not fully developed)	25.0%	25.0%
Exit tax ***	12.5%	12.5%

* The 15% minimum effective rate for large companies (global turnover greater than €750 million) as provided for under the OECD Pillar Two agreement. Effective for accounting periods commencing on or after 31 December 2023.
** The Knowledge Development Box has been extended to accounting periods commencing before 1 January 2027. The KDB will have a new effective rate of 10% to come into effect from a date set by commencement order
*** Applies to unrealised gains arising where a company migrates or transfers assets offshore, such that they leave the scope of Irish taxation

Stamp Duty	2024	2023
Residential Property		
Consideration up to €1m	1.0%	1.0%
Consideration over €1m	2.0%	2.0%
Purchase of 10 or more residential houses in a 12-month period	10.0%	10.0%
Non-Residential Property		
Commercial properties and other forms of property not otherwise exempt from duty	7.5%	7.5%
Shares	1.0%	1.0%

Capital Gains Tax	2024	2023
General rate	33.0%	33.0%
Entrepreneur relief	10.0%	10.0%
Angel Investor Relief	16% / 18%	-
Annual exemption	€1,270	€1,270

VAT	2024	2023
Standard rate	23.0%	23.0%
Reduced rate	13.5%	13.5%
Second reduced rate *	9.0%	9.0%
Audio and e-books	0.0%	9.0%
Supply and installation of solar panels in schools	0.0%	13.5%
Flat rate for unregistered farmers	4.8%	5.0%
Cash receipts basis threshold	€2.0m	€2.0m

* The application of the second reduced rate for the supply of electricity and gas has been extended to 31 October 2024, thereafter it should revert to the reduced rate of 13.5%

VAT Registration Thresholds	2024	2023
Goods	€80,000	€75,000
Services	€40,000	€37,500

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